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EXAMINER

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UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

Ex parte JONATHAN ROBERT POWELL

Appeal 2015-008167
Application 11/670,869
Technology Center 3600

Before MURRIEL E. CRAWFORD, HUBERT C. LORIN, and
ROBERT J. SILVERMAN, *Administrative Patent Judges*.

CRAWFORD, *Administrative Patent Judge*.

DECISION ON APPEAL

STATEMENT OF THE CASE

Appellant seeks our review under 35 U.S.C. § 134 of the Examiner's final decision rejecting claims 1–15. We have jurisdiction over the appeal under 35 U.S.C. § 6(b).

We AFFIRM.

BACKGROUND

Appellant's invention is directed to systems and methods for implementing special customized issuer-merchant relationships or programs in the payment-by-card industry. Spec. 2.

Claim 1 is illustrative:

1. A system for implementing customized issuer-merchant relationships or programs in the payment card industry that uses a general purpose bankcard network, which is linked to merchants, merchant acquirers and card issuers, for processing ordinary payment card transactions that are not covered by a customized issuer-merchant relationship, the system comprising:

a non-transitory computer readable storage medium storing information reflecting at least one customized issuer-merchant relationship or program;

a merchant screening block including at least a specially programmed processor installed in the general purpose bankcard network, wherein the merchant screening block is configured to interrogate a transaction submitted to the network and verify whether the transaction is an ordinary transaction or is a transaction covered by a registered issuer-merchant relationship, such verification performed using only transaction parameters normally transmitted as part of an ordinary transaction submitted to the network, and accordingly processing the transaction automatically in accordance with said registered issuer-merchant relationship without receiving additional data from the network; and

a merchant accounting system block including at least a specially programmed processor installed in the general purpose bankcard network, wherein the merchant accounting system block is configured to transmit information directly between merchant and issuer accounts bypassing the merchant acquirer;

wherein the issuer and merchant acquirer are separate entities.

The Examiner relies on the following prior art reference as evidence of unpatentability:

Walker et al. (hereinafter “Walker”)	US 5,945,653	Aug. 31, 1999
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Harris et al. (hereinafter “Harris”)	US 6,014,635	Jan. 11, 2000
Behrenbrinker et al. (hereinafter “Behrenbrinker”)	US 2002/0062279 A1	May 23, 2002
Arias	US 2005/0178825 A1	Aug. 18, 2005
Jain et al.	US 2005/0234769 A1	Oct. 20, 2005
Kawahara	US 2005/0246181 A1	Nov. 3, 2005
Asmar et al. (hereinafter “Asmar”)	US 2007/0174120 A1	July 26, 2007
Hardesty et al. (hereinafter “Hardesty”)	US 7,516,883 B2	Apr. 14, 2009

Appellant appeals the following rejections:

Claims 1–15 under 35 U.S.C. § 101 because the claimed invention is not directed to patent eligible subject matter.

Claims 1–4, 6–9, and 11–14 under 35 U.S.C. § 103(a) as unpatentable over Walker, Behrenbrinker, and Asmar.

Claims 5, 10, and 15 under 35 U.S.C. § 103(a) as unpatentable over Walker, Behrenbrinker, Asmar, and Hardesty.

ANALYSIS

Rejection under 35 U.S.C. § 101

An invention is patent-eligible if it claims a “new and useful process, machine, manufacture, or composition of matter.” 35 U.S.C. § 101. The Supreme Court, however, has long interpreted § 101 to include implicit exceptions: “[l]aws of nature, natural phenomena, and abstract ideas” are not patentable. *E.g., Alice Corp. Pty. Ltd. v. CLS Bank Int’l*, 134 S. Ct. 2347, 2354 (2014).

In determining whether a claim falls within the excluded category of abstract ideas, we are guided in our analysis by the Supreme Court’s two-step framework, described in *Mayo* and *Alice*. *Id.* at 2355 (citing *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 132 S. Ct. 1289, 1296–97 (2012)). In accordance with that framework, we first determine whether the claim is “directed to” a patent-ineligible abstract idea. *See Alice*, 134 S. Ct. at 2356 (“On their face, the claims before us are drawn to the concept of intermediated settlement, *i.e.*, the use of a third party to mitigate settlement risk.”); *Bilski v. Kappos*, 561 U.S. 593, 611 (2010) (“Claims 1 and 4 in petitioners’ application explain the basic concept of hedging, or protecting against risk.”); *Diamond v. Diehr*, 450 U.S. 175, 184 (1981) (“Analyzing respondents’ claims according to the above statements from our cases, we think that a physical and chemical process for molding precision synthetic rubber products falls within the § 101 categories of possibly patentable subject matter.”); *Parker v. Flook*, 437 U.S. 584, 594–595 (1978) (“Respondent’s application simply provides a new and presumably better method for calculating alarm limit values.”); *Gottschalk v. Benson*, 409 U.S. 63, 64 (1972) (“They claimed a method for converting binary-coded decimal (BCD) numerals into pure binary numerals.”).

The patent-ineligible end of the spectrum includes fundamental economic practices, *Alice*, 134 S. Ct. at 2357; *Bilski*, 561 U.S. at 611; mathematical formulas, *Flook*, 437 U.S. at 594–95; and basic tools of scientific and technological work, *Benson*, 409 U.S. at 69. On the patent-eligible side of the spectrum are physical and chemical processes, such as curing rubber, *Diamond*, 450 U.S. at 184 n.7, “tanning, dyeing, making waterproof cloth, vulcanizing India rubber, smelting ores,” and a process for

manufacturing flour, *Gottschalk*, 409 U.S. at 69. If the claim is “directed to” a patent-ineligible abstract idea, we then consider the elements of the claim—both individually and as an ordered combination—to assess whether the additional elements transform the nature of the claim into a patent-eligible application of the abstract idea. *Alice*, 134 S. Ct. at 2355. This is a search for an “inventive concept”—an element or combination of elements sufficient to ensure that the claim amounts to “significantly more” than the abstract idea itself. *Id.*

The Examiner entered a new ground of rejection under 35 U.S.C. § 101 in the Answer. The Examiner held that claim 1 is directed to a process of providing direct connectivity between issuers and merchants bypassing merchant acquirers for processing card transactions covered by customized issuer-merchant relationships. The Examiner held that this is a fundamental economic practice. The Examiner found that the claims recite generic routine and well-understood operations of computing systems and that none of the claims effects an improvement to another technology or technical field or the computing systems itself and as such the claims do not amount to significantly more than the judicial exception itself. Ans. 3–4. We agree.

We are not persuaded of error on the part of the Examiner by Appellant’s argument that the claims “merely *involve* and, only in part, what could be argued to be an abstract concept.” Reply. 4. Under the *Alice* analysis, it is not determinative of patent eligibility that the claims be directed to only an abstract idea. Rather, once it is determined that the claims are directed to an abstract idea, it is then determined whether the claims include significantly more than the abstract idea. As such, if it is determined, as it was in the instant case, that the other aspects of the claim

apart from the abstract idea are not significantly more than the abstract idea, the claims are held to be patent ineligible.

We are likewise not convinced of error on the part of the Examiner by Appellant's argument that the claims are patentably distinct from the cited references. To the extent that this argument asserts that the limitations of claim 1 necessarily amount to "significantly more" than an abstract idea because the claimed apparatus is allegedly patentable over the prior art, Appellant misapprehends the controlling precedent. Although the second step in the *Alice/Mayo* framework is termed a search for an "inventive concept," the analysis is not an evaluation of novelty or non-obviousness but rather a search for "an element or combination of elements that is 'sufficient to ensure that the patent in practice amounts to significantly more than a patent upon the [ineligible concept] itself.'" *Alice*, 134 S. Ct. at 2355. A novel and nonobvious claim directed to a purely abstract idea is, nonetheless, patent-ineligible. *See Mayo*, 132 S. Ct. at 1304.

We do not agree with the Appellant that the claims are inextricably tied to computer technology and are analogous to the claims in *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245, 1257 (Fed. Cir. 2014). In *DDR* the Court noted that a claim may amount to more than any abstract idea recited in the claims when it addresses a business challenge, such as "retaining website visitors," where that challenge is particular to a specific technological environment, such as the Internet. Appellant contends that the claim addresses implementing customized issuer-merchant relationships or programs in the payment card industry that uses a general purpose bankcard network that is inextricably tied to computer technology.

In *DDR*, the court stated that “the . . . patent’s claims address the problem of retaining website visitors that, if adhering to the routine, conventional functioning of Internet hyperlink protocol, would be instantly transported away from a host’s website after ‘clicking’ on an advertisement and activating a hyperlink.” *DDR Holdings*, 773 F.3d at 1257. This was done in the claim by serving a composite page with content based on the link that was activated to serve the page.

In contrast, claim 1 performs a process that bypasses a merchant acquirer so that cardholders can widely use charge cards at any merchant establishment regardless of a merchant banking relationship with the card issuer. Spec. 1. Limited use of charge cards because of the lack of relationship between a merchant and a merchant acquirer is not a challenge rooted in a specific technological environment, such as the Internet. Indeed this challenge has existed for years.

Appellant’s argument that claim 1 does not preempt or tie up any abstract idea or laws of nature is also not persuasive of error on the part of the Examiner, because while preemption may signal patent ineligible subject matter, the absence of complete preemption does not demonstrate patent eligibility.” *Ariosa Diagnostics, Inc. v. Sequenom, Inc.*, 788 F.3d 1371, 1379 (Fed. Cir. 2015); *see also OIP Techs., Inc. v. Amazon.com, Inc.*, 788 F.3d 1359, 1362–63 (Fed. Cir.) (“[T]hat the claims do not preempt all price optimization or may be limited to price optimization in the e-commerce setting do not make them any less abstract.”), *cert. denied*, 136 S. Ct. 701 (2015). And, “[w]here a patent’s claims are deemed only to disclose patent ineligible subject matter under the *Mayo* framework, as they are in this case,

preemption concerns are fully addressed and made moot.” *Ariosas*, 788 F.3d at 1379.

In view of the foregoing, we will sustain the Examiner’s rejection of claim 1 under 35 U.S.C. § 101. We will also sustain this rejection as it is directed to the remaining claims because the Appellant has not argued the separate eligibility of these claims.

Rejection under 35 U.S.C. § 103(a)

We will not sustain this rejection because we agree with the Appellant that Asmar does not disclose a merchant accounting block that is configured to transmit information in processing ordinary card transactions directly between merchant and issuer accounts bypassing the merchant acquirer. The Appellant’s Specification discloses that a merchant acquirer is a third party transaction processing company that provides payment of a purchase price to a merchant during a bank card transaction. Spec. ¶ 2; Figure 6. The Examiner relies on the disclosure in Asmar of a customer bypassing the use of a bank card in making a transaction for teaching the subject matter of bypassing a merchant acquirer. Ans. 6. We agree with the Appellant that Asmar does not disclose bypassing a merchant acquirer in a bank card transaction. In fact, the portion of Asmar relied on by the Examiner does not mention a merchant acquirer. What Asmar does disclose is bypassing the use of a bank card altogether, not bypassing a merchant acquirer in a process using a bank card as required by claim 1.

In view of the foregoing, we will not sustain this rejection as it is directed to claim 1 and claims 2–4 dependent therefrom. We will also not sustain this rejection as it is directed to claim 6 and claims 7–9 dependent therefrom and claim 11 and claims 12–14 dependent therefrom because

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claims 6 and 11 recite transmitting information directly between a merchant and issuer account, and the Examiner has not established that Asmar discloses a merchant acquirer.

We will not sustain the rejection of claims 5, 10, and 15 for the same reason.

DECISION

We affirm the Examiner's § 101 rejection.

We reverse the Examiner's § 103 rejections

TIME PERIOD

No time period for taking any subsequent action in connection with this appeal may be extended under 37 C.F.R. § 1.136(a). *See* 37 C.F.R. § 1.136(a)(1) (2009).

ORDER

AFFIRMED